

VZCZCXRO8835
PP RUEHDE RUEHDIR
DE RUEHAD #0467/01 0781021
ZNY CCCCC ZZH
P 191021Z MAR 07
FM AMEMBASSY ABU DHABI
TO RUEHC/SECSTATE WASHDC PRIORITY 8580
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ABU DHABI 000467

SIPDIS

SIPDIS

DEPT FOR NEA/ARP, EEEB/IFD/OMA
TREASURY FOR DAS SAEED, ROSE

E.O. 12958: DECL: 03/19/2017
TAGS: [EFIN](#) [EINV](#) [AE](#)
SUBJECT: ABU DHABI PLANS BOND ISSUANCE

Classified By: Ambassador Michele J. Sison for reasons 1.4 (b & d).

¶1. (C) On March 4, Abu Dhabi Department of Finance Under Secretary (and Executive Council member) Hamad Al-Hurr

SIPDIS

Al-Suwaidi told econchief and Treasury Regional Debt Advisor that the Emirate of Abu Dhabi was approaching investment banks about issuing dollar denominated bonds for general revenue. He explained that the emirate planned to issue \$2 billion in bonds, split evenly between five and ten year maturities. This would be the first in a planned annual series of bond issuances. Al-Suwaidi commented that the time for Abu Dhabi to start diversifying its funding sources was when it clearly did not need the funds. The bond issuance would also provide Abu Dhabi's various state-owned enterprises a benchmark for their borrowing. Abu Dhabi would plan to issue the bonds under Europe's regulation S and/or the U.S. rule 144a, which would allow the bonds to be marketed to qualified institutional buyers in the U.S. The advantage would be that it would avoid SEC registration and have a relatively low level of disclosure.

¶2. (C) Al-Suwaidi said that the emirate will be working with the various rating agencies to obtain the best rating possible. His position was that given Abu Dhabi's ownership of the national oil company ADNOC and significant foreign investments managed by ADIA, he expected that Abu Dhabi would receive a higher sovereign rating than its neighbors. Al-Suwaidi also said that the Department of Finance had explained to the executive council that obtaining a rating from the international rating agencies would require the emirate to increase its fiscal transparency, although he did not think that it would be more than Abu Dhabi already provided the International Monetary Fund. In any case, the Executive Council instructed the Finance Department to return to it for a final decision if rating agencies pushed for transparency, beyond a certain level or the rating was lower than anticipated.

¶3. (C) Abu Dhabi did not plan to announce its decision to issue bonds in advance (as Dubai recently did). Al-Suwaidi noted that he thought Dubai's public pledge to seek a rating had been unwise, and that Dubai might delay any bond issue. He said that he had heard from some investment banks that the Emirate of Dubai might actually be considered less creditworthy than some of its better-known parastatals. If Dubai's bonds were to get a lower credit rating than some of its companies, this could harm the companies borrowing opportunities.

¶4. (C) In response to a question from emboffs, Al-Suwaidi said that Abu Dhabi did not currently plan to issue dirham-denominated bonds. Given the UAE's massive investment expenditures, he noted, Abu Dhabi did not want to take any

liquidity out of the economy. In response to a comment that, given high oil prices, liquidity did not seem to be a problem, he noted that real liquidity was relatively low. During the 2006 stock market collapse, he added, the Emirate of Abu Dhabi was concerned about the lack of action by the Central Bank to ensure that the market correction did not have a negative impact on the real economy. The Abu Dhabi Finance Department took the step of depositing funds into Abu Dhabi Government-owned banks (National Bank of Abu Dhabi and Abu Dhabi Commercial Bank) to provide them support. (Note: Although we had heard that the Emirate of Abu Dhabi had authorized its pension fund to buy into the market, this is the first time we had heard of direct fiscal support for banks. Given strong economic growth in 2006, and generally healthy bank profits, it does not appear that the stock market correction had a large impact on the overall economy. End Note.)

15. (SBU) Al-Suwaidi (also the Chairman of the Board of Directors of the Abu Dhabi National Energy Company - majority owned by the Emirate of Abu Dhabi) introduced emboffs to the CEO of Taqa, Peter Barker Homek, who explained that Taqa planned to issue \$5-\$10 billion in bonds over the next 6-12 months in a "multiplicity of currencies," although it did not plan to issue dirham bonds.

16. (C) Comment: this is a significant first step for Abu Dhabi, despite the relatively small size of the planned issuance. If Abu Dhabi follows-through on its plans, it will create a sovereign benchmark for its parastatals and public/private partnerships. Given the massive projected spending on projects over the next few years, these companies are likely to want to tap the bond markets for funds. In addition, requesting a rating from the international rating agencies is likely to demonstrate the emirate's interest in increasing fiscal transparency (however slightly). End

ABU DHABI 00000467 002 OF 002

comment.
SISON